



House Bill 2407
House Higher Education, Innovation and
Workforce Development Committee
March 20, 2015

Good morning Chair Read, Vice Chairs Whisnant and Gallegos, and members of the committee. For the record, my name is Bob Brew, and I am the Executive Director of the Office of Student Access and Completion, commonly known as OSAC.

As Mr. Cannon mentioned, I'm here to walk you through the nuts and bolts of the program. I'll keep it at a fairly high level, but am more than willing to answer any questions you might have.

The Oregon Opportunity Grant is Oregon's only need-based college grant. Since 2007, the mechanism outlined in statute for distributing these funds has been the Shared Responsibility Model, or SRM. The SRM states that students, families, the Federal government and the State of Oregon all have a vested interest in supporting higher education attainment for Oregon students, and they all share the responsibility for making that happen. Under SRM, the student is in first position for funding their education, and the State of Oregon is in last position.

In the years that have followed, none of the components of funding a student's education under SRM have kept pace with the rising total cost of higher education. Certainly tuition and fees have gone up, but so have room and board, and books and supplies, as well. Neither the Pell grant, minimum wage, or family incomes have grown nearly as fast, so the State's share of the SRM – that last dollar in – has theoretically grown ever larger. In addition, many more students now qualify for the grant, and nothing in statute provides any direction on how scarce dollars should be prioritized. We have had to triage our awards using a sort of "first come, first served" approach. This has never seemed very equitable, but it was the best we could do without clarity in statute.

The -3 amendments to House Bill 2407 would provide that clarity.

Under this bill, students with expected family contribution (EFC) of \$0 per the Free Application for Federal Student Aid (or FAFSA) who meet the income eligibility requirements of the Federal Pell Grant would be first to receive an Oregon Opportunity Grant. Under our modeling, first time awardees would receive \$2,100 toward their school expenses in their first year of eligibility, if they attempt and complete 12 credits per term/semester for the entire school year. Students taking between 6 and 11 credits per term/semester will receive an award of half that amount.

Students who successfully complete their first year of eligibility under the grant, reapply, and meet academic requirements, will be guaranteed receipt of the OOG for their second year of eligibility at the same award levels, provided they still meet income requirements.

Students in their third and fourth years of eligibility will be eligible to receive the grant, although the Higher Education Coordinating Commission may set higher academic standards set for continued participation. The award for years three and four would be \$2,000 for full-time (i.e. 12 hours per term/semester) for each of two years. Half-time students' awards would be pro-rated.

If funds remain after serving all \$0 EFC students, the list of eligible students will be expanded to include students with an EFC of \$1, then \$2, and so on.

The application date will be moved as late as possible, potentially as late as June, depending on the number of \$0 EFC student FAFSAs filed by that time.

The redesign, if approved, will not take effect until the 2016-2017 academic year.

Based on the Current Service Level Budget of \$117 million, approximately \$57.3 million will be spent on awards for the 2015-2016 academic year, and approximately \$59.7 million will be spent on the 2016-2017 academic year.

The maximum award for 2015-2016 and 2016-2017 will be \$2,100 with an estimated average award size of \$1,680. This is a five percent increase over the current \$2,000 maximum award, which hasn't increased for four years. We would expect to serve roughly 34,100 students the first year, which is roughly the same number we serve now, and increase to 35,500 in the second year of the biennium.

If the 2015-2017 budget approved by the Legislature approaches the \$142 million mark proposed by the Governor, the additional funds (approximately \$25 million) could be used in the second year of the biennium to fund an additional 12,600 awards.

As I've said, a full-time Opportunity Grant is available to a student taking 12 credits per term, and a student can receive the OOG for up to four years of full-time study. A student taking 12 credits per term (or 36 credits per year) would accumulate 144 credits by the time their OOG eligibility expires; however, most Bachelor's degree programs require 180 credit hours to complete. A student with only 144 credits would need another full year to complete their degree.

It is estimated that a typical student who completes his or her degree in four years will realize \$175,000 more over the course of his or her lifetime when compared with a student who takes five or six years to complete. The delta includes one to two years of additional employment, one to two fewer years of accumulated loans, one to two fewer years of tuition, fees and living expenses, and so on. It is clearly in the student's best interest to finish in four years, if they can.

It is also in the state's interest to incentivize students to complete in a timely manner. The sooner a student completes his or her studies and is gainfully employed, the sooner they are contributing to the workforce, economy and tax base of the state.

The state of Indiana recently changed the definition of full-time for their need grant program to be 15 credit hours per term/semester (versus the 12 credit threshold in Oregon) and saw very large gains in students taking the heavier class load and graduating in four years.

For these reasons, the -3 amendment also requests the Higher Education Coordinating Commission and OSAC staff to develop a proposal we are provisionally calling "Finish in Four." Under this proposal, all the benefits and requirements of the earlier Opportunity Grant redesign changes I just explained would remain in place for students taking 12 credit hours per term (36 per year); however, if a student chose to increase their class load to 15 credit hours a term (45 per calendar year), the State of Oregon would increase their Opportunity Grant award the following year to offset any increase in tuition at their home institution.

- For example, a student receives a \$2,100 full-time award as a freshman, but completes 45 credits over the calendar year (three terms plus summer term). In their sophomore year, full-time tuition at their college increases by \$500. Rather than the \$2,100 award they would expect had they taken only 36 credits as a freshman, their Opportunity Grant amount would be \$2,600 (\$2,100 + \$500).

Staff believes such an incentive model could yield strong results, if the pattern in Indiana is any indication.

Students receiving the base award in 2016-2017 would be eligible for the "Tuition Promise" award increase starting in 2017-2018 and for subsequent years. The full cost of the program would not be known until year five.

Since this would be an entirely new model with no history on its success in Oregon, we would anticipate hiring a professional data modeler to help us model participation and cost estimates for future years.

Once due diligence is complete on the "Finish in Four" program, the HECC would determine how much, if any of the appropriated Opportunity Grant budget will be directed toward this incentive.

I'd be glad to answer any questions about the grant design.